

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended .

Unit Name	Benona Township	County	OCEANA	Type	TOWNSHIP	MuniCode	64-1-010
Opinion Date-Use Calendar	Jul 9, 2008	Audit Submitted -Use Calendar	Aug 4, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 338,623.00
General Fund Expenditure:	\$ 380,468.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 349,044.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Jodi	Last Name	DeKuiper	Ten Digit License Number	1101021180				
CPA Street Address	711 West Main Street	City	Fremont	State	MI	Zip Code	49412	Telephone	+1 (231) 924-6890
CPA Firm Name	Hendon & Slate PC	Unit's Street Address	7169 W. Baker Rd.	City	Shelby	LU Zip	49455		

**BENONA TOWNSHIP
OCEANA COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

March 31, 2008

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BENONA TOWNSHIP

Board Members

	<u>Position</u>
Steve Fleming	Supervisor
Margie Shaw	Clerk
Ruth Wentzloff	Treasurer
Russell Burmeister	Trustee
John Smith	Trustee

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Township Board
Benona Township
Oceana County
Shelby, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benona Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Benona Township, Michigan as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and pages 20 and 21, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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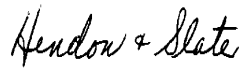
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Montague
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Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
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Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benona Township, Michigan's basic financial statements. The combining non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.
Certified Public Accountants
July 9, 2008

BENONA TOWNSHIP

Management's Discussion and Analysis (MD&A) For the Year Ended March 31, 2008

Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's unrestricted net assets (the part of net assets that can be used to finance day-to-day operating) decreased 3.1% from March 31, 2007 - from \$546,654 to \$529,796. In a condensed format, the table below shows key financial information (in future years, when prior year information is available, a comparative analysis of data will be presented):

	Governmental Activities
Current Assets	\$ 374,918
Non-Current Capital Assets	164,770
Total Assets	<u>\$ 539,688</u>
Current Liabilities	<u>\$ 9,892</u>
Total Liabilities	<u>\$ 9,892</u>
Net Assets	
Invested in Capital Assets-Net of Debt	\$ 164,770
Unrestricted	365,026
Total Net Assets	<u>\$ 529,796</u>
Program Revenues	
Charges for Services	\$ 2,988
General Revenues	
Property Taxes	332,724
State Shared Revenues	104,576
Metro Act	4,072
Investment Earnings	14,476
Miscellaneous	18,787
Total Revenues	<u>\$ 477,623</u>

Management's Discussion and Analysis (Continued)

Program Expenses	
General Government	118,746
Community & Economic Development	15,656
Public Safety	107,422
Public Works	199,215
Recreation and Culture	40,130
Unallocated Depreciation	<u>13,312</u>
Total Expenses	<u>494,481</u>
Change in Net Assets	<u>\$ (16,858)</u>

Governmental Activities

The Township's total governmental revenues increased about \$30,000 from March 31, 2007. A large part of this increase is attributed to property taxes. Most of the other revenues remained similar to previous levels.

Expenses increased by over \$200,000 from the prior year. Most categories of expenses saw slight increases or decreases except for the Road Expenses, which increased by approximately \$180,000, Cemetery Capital Outlay which increased approximately \$12,000, and Parks Capital Outlay, which increased approximately \$21,000.

Business-Type Activities

The Township had no business type activities.

The Township's Fund

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for March 31, 2008 were the General and Fire Funds. The Township's non-major funds included the Boat Ramp Fund, the Cemetery Care Fund, and the Library Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board found it necessary to amend the general fund budget to take into account events during the year. Amendments were made as cemetery expansion costs were higher than anticipated and several projects for the town hall were abandoned. However, the Board over-expended in the Fire Fund and Library Fund activities as reported in the notes to the financial statements.

Capital Asset and Debt Administration

At March 31, 2008, the Township had \$323,936 invested in a broad range of capital assets including land, buildings, and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the township's financial statements because of Michigan law, which makes these roads property of the Oceana County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's budget for March 31, 2009 calls for an increase in property taxes by approximately \$13,000 due to limited allowed property value increases (the lesser of inflation or 5%). General Fund expenditures were budgeted for a 3.8% increase from the previous budget. The most significant areas affected include a \$95,000 increase in building and grounds due to planned expansion of the township hall, a \$42,000 increase in parks for the purchase of additional playground equipment and a seawall replacement, an a decrease of \$195,000 in road repairs.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

BENONA TOWNSHIP

Government Wide Statement of Net Assets
March 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 347,252
Taxes Receivable	23,369
Accounts Receivable - Fiduciary Funds	4,297
Property and Equipment	323,936
Accumulated Depreciation	<u>(159,166)</u>
 Total Assets	 539,688
 LIABILITIES & NET ASSETS	
Liabilities	
Accounts Payable	-
Due to Other Units	<u>9,892</u>
 Total Liabilities	 <u>9,892</u>
 Net Assets	
Invested in Capital Assets	
Net of Related Debt	164,770
Unrestricted	<u>365,026</u>
 Total Net Assets	 <u><u>\$ 529,796</u></u>

The Notes to the Financial Statements are an integral part of this statement

BENONA TOWNSHIP

Government Wide Statement of Activities For the Year Ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Primary Government			
General Government	\$ 118,746	\$ 2,988	\$ (115,758)
Community & Economic Development	15,656	-	(15,656)
Public Safety	107,422	-	(107,422)
Public Works	199,215	-	(199,215)
Recreation and Culture	40,130	-	(40,130)
Unallocated Depreciation	<u>13,312</u>	<u>-</u>	<u>(13,312)</u>
Total Primary Government	<u><u>\$ 494,481</u></u>	<u><u>\$ 2,988</u></u>	(491,493)
General Revenues			
Property Taxes - Levied for General Purpose			332,724
State Shared Revenue			104,576
Metro Act			4,072
Interest Income			14,476
Miscellaneous			<u>18,787</u>
Total General Revenues			<u>474,635</u>
Change in Net Assets			(16,858)
Net Assets - April 1, 2007			<u>546,654</u>
Net Assets - March 31, 2008			<u><u>\$ 529,796</u></u>

The Notes to the Financial Statements are an integral part of this statement

BENONA TOWNSHIP

Governmental Fund Balance Sheet March 31, 2008

	General Fund	Fire Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 331,270	\$ -	\$ 15,982	\$ 347,252
Taxes Receivable	13,477	7,794	2,098	23,369
Due from Tax Fund	<u>4,297</u>	<u>-</u>	<u>-</u>	<u>4,297</u>
Total Assets	<u>\$ 349,044</u>	<u>\$ 7,794</u>	<u>\$ 18,080</u>	<u>\$ 374,918</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Governments	<u>-</u>	<u>7,794</u>	<u>2,098</u>	<u>9,892</u>
Total Liabilities	-	7,794	2,098	9,892
FUND BALANCES				
Unrestricted	<u>349,044</u>	<u>-</u>	<u>15,982</u>	<u>365,026</u>
Total Fund Balance	<u>349,044</u>	<u>-</u>	<u>15,982</u>	<u>365,026</u>
Total Liabilities and Fund Equity	<u>\$ 349,044</u>	<u>\$ 7,794</u>	<u>\$ 18,080</u>	<u>\$ 374,918</u>

The Notes to the Financial Statements are an integral part of this statement

BENONA TOWNSHIP

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Year Ended March 31, 2008

Total Governmental Fund Balances \$ 365,026

Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	323,936	
Governmental Accumulated Depreciation	<u>(159,166)</u>	<u>164,770</u>
Total Net Assets - Governmental Activities:		<u><u>\$ 529,796</u></u>

The Notes to the Financial Statements are an integral part of this statement

BENONA TOWNSHIP

Governmental Fund Statements of Revenue, Expenditures, and Changes in Fund Balance For the Year Ended March 31, 2008

	General Fund	Fire Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 196,379	\$ 107,422	\$ 28,923	\$ 332,724
State Shared Revenue	104,576	-	-	104,576
Metro Act	4,072	-	-	4,072
Licenses and Permits	3,575	-	2,280	5,855
Charges for Services	2,738	-	250	2,988
Refunds and Reimbursements	11,257	-	-	11,257
Rentals and Royalties	100	-	-	100
Interest	14,351	-	125	14,476
Cemetery Lot Sales	1,575	-	-	1,575
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	338,623	107,422	31,578	477,623
Expenditures				
General Government	118,746	-	-	118,746
Community & Economic Development	15,656	-	-	15,656
Public Safety	-	107,422	-	107,422
Public Works	199,215	-	-	199,215
Recreation and Culture	16,739	-	29,116	45,855
Capital Outlay	30,112	-	-	30,112
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	380,468	107,422	29,116	517,006
Excess Revenue Over (Under) Expenditures	(41,845)	-	2,462	(39,383)
Fund Balance - April 1, 2007	<hr/> 390,889	<hr/> -	<hr/> 13,520	<hr/> 404,409
Fund Balance - March 31, 2008	<u>\$ 349,044</u>	<u>\$ -</u>	<u>\$ 15,982</u>	<u>\$ 365,026</u>

The Notes to the Financial Statements are an integral part of this statement

BENONA TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (39,383)

Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	35,837	
Capital outlay reported as expenses in statement of net assets	<u>-</u>	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) assets.	35,837	
Depreciation expense reported in the statement of activities	<u>(13,312)</u>	<u>22,525</u>
Changes in Net Assets - Governmental Activities		<u>\$ (16,858)</u>

The Notes to the Financial Statements are an integral part of this statement

BENONA TOWNSHIP

Statement of Net Assets - Fiduciary Fund
March 31, 2008

	<u>Trust and Agency Fund</u>
Assets	
Cash and Investments	<u>\$ 4,297</u>
Total Assets	<u><u>\$ 4,297</u></u>
 Liabilities and Net Assets	
Liabilities	
Due to Other Funds	\$ 4,297
Due to County	-
Due to Schools	-
Due to Others	<u>-</u>
Total Liabilities	4,297
 Net Assets	
Unreserved	<u>-</u>
 Total Liabilities and Net Assets	<u><u>\$ 4,297</u></u>

The Notes to the Financial Statements are an integral part of this statement

BENONA TOWNSHIP

Notes to the Financial Statements
For the Year Ended March 31, 2008

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Benona Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Benona Township.

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

B. Joint Venture

Shelby Benona Fire District

The Township is a member of Shelby Benona Fire District, which was organized to provide fire protection and rescue services for its member units. It is a joint venture of three governmental units governed by a district board composed of representatives from each of the respective member units. The joint venture is financed through a special millage based upon taxable value of property. The Township does not report an equity interest in this joint venture in these financial statements because the Township does not have an explicit and measurable right to the joint venture's resources. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial information based on the December 31, 2006 audit report of the Shelby Benona Fire District follows:

Total Assets	\$ 193,738
Total Liabilities	14,990
Fund Balance	<u>\$ 178,748</u>
Operating Revenues	\$ 177,320
Operating Expenses	<u>(159,497)</u>
Revenues in Excess of Expenditures	<u>\$ 17,823</u>

Complete financial statements for Shelby Benona Fire District may be obtained from the District at Shelby Benona Fire District, PO Box 56, Shelby, MI 49455.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

Notes to the Financial Statements (continued)

1. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last payment has not been received by March 31; therefore, a receivable is recorded for this amount. For fiscal year-end March 31, 2008, the amount had been received so the receivable balance was \$0.

2. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2007 delinquent taxes of \$23,369 were not received as of March 31, 2008. These amounts are recorded as receivable at March 31, 2008 and have been included in revenues for the year ended March 31, 2008.

The 2007 taxable valuation of the Township totaled \$124,058,161 on which ad valorem taxes levied consisted of 1.2225 mills for general operations, .8640 mills for fire operations, and .2327 mills for library operations raising \$151,993 for general operations, \$107,422 for fire operations and \$28,923 for library operations. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire fund accounts for the resources of property tax revenue and charges for services that are restricted for fire protection purposes.

In addition to the major funds, the Township also reports the following fund types:

The Perpetual Care Fund is a permanent fund and accounts for perpetual care of the cemetery. All financial decisions concerning the Perpetual Care Fund are approved by the Township Board.

The Boat Ramp Fund accounts for the resources of permits sold for the use of the boat ramp located at Stony Lake.

The Library Fund accounts for the resources of property tax revenue and charges for services for the purpose of providing library services at Shelby Area District Library.

Fiduciary Funds are used to account for assets held by a governmental unit as the trustee or agent for others.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

E. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated as fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Restricted Assets - Cash in the Perpetual Care Fund is restricted. The corpus can not be spent, however income earned from the restricted cash may be used to maintain the cemetery.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings and	15 - 50 years
Land Improvements	15 years
Equipment	5 -10 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in material excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Fire Fund -Fire Protection	-	107,422	(107,422)
Library Fund -Library Services	-	28,923	(28,923)

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has not adopted an investment policy in accordance with Public Act 196 of 1997.

The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	<u>\$ 347,252</u>	<u>\$ 4,297</u>	<u>\$ 351,549</u>

The bank balance of the Township's deposits is \$353,768, of which \$139,788 is covered by federal depository insurance and \$213,980 is uninsured.

Shelby State Bank, Fifth Third Bank, and West Shore Bank were the depositories actively used by the Township during the year.

Notes to the Financial Statements (continued)

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

NOTE D RECEIVABLES

Receivables as of year-end for the Township's individual major and non-major funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund	Fire Fund	Library Fund	Total
Taxes Receivable	<u>\$ 13,477</u>	<u>\$ 7,794</u>	<u>\$ 2,098</u>	<u>\$ 23,369</u>

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated				
Land	\$ 33,107	\$ -	\$ -	\$ 33,107
Capital Assets Being Depreciated				
Buildings & Improvements	71,568	-	-	71,568
Machinery & Equipment	53,479	23,374	-	76,853
Land Improvements	<u>129,945</u>	<u>12,463</u>	<u>-</u>	<u>142,408</u>
Subtotal	254,992	35,837	-	290,829
Less Accumulated Depreciation for				
Buildings & Improvements	30,289	1,789	-	32,078
Machinery & Equipment	42,463	4,658	-	47,121
Land Improvements	<u>73,102</u>	<u>6,865</u>	<u>-</u>	<u>79,967</u>
Subtotal	<u>145,854</u>	<u>13,312</u>	<u>-</u>	<u>159,166</u>
Net Capital Assets being depreciated	<u>109,138</u>	<u>22,525</u>	<u>-</u>	<u>131,663</u>
Capital Assets - Net of Depreciation	<u>\$ 142,245</u>	<u>\$ 22,525</u>	<u>\$ -</u>	<u>\$ 164,770</u>

Notes to the Financial Statements (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities

Unallocated	<u>\$ 13,312</u>
Total Governmental Activities	<u><u>\$ 13,312</u></u>

NOTE F INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

<u>Receivable Fund</u> <u>(Due From)</u>		<u>Payable Fund</u> <u>(Due To)</u>	
General Fund	<u>\$ 4,297</u>	Trust & Agency Fund	<u>\$ 4,297</u>
	<u><u>\$ 4,297</u></u>		<u><u>\$ 4,297</u></u>

NOTE I RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE J RELATED PARTY TRANSACTIONS

During the year ended March 31, 2008, the Township paid \$810 for snowplowing services provided by a board member.

BENONA TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for General Fund For the Year Ended March 31, 2008

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance - April 1, 2007	\$ 381,600	\$ 381,600	\$ 390,889	\$ 9,289
Resources (Inflows)				
Property Taxes	187,000	187,000	196,379	9,379
State Shared Revenue	103,000	103,000	104,576	1,576
Metro Act	4,000	4,000	4,072	72
Licenses and Permits	4,500	4,500	3,575	(925)
Charges for Services	3,000	3,000	2,738	(262)
Refunds & Reimbursements	5,500	5,500	11,257	5,757
Rentals and Royalties	100	100	100	-
Interest	5,500	5,500	14,351	8,851
Cemetery Lot Sales	2,000	2,000	1,575	(425)
Total Available for Appropriation	696,200	696,200	729,512	33,312
Charges to Appropriations (Outflows)				
General Government	135,300	143,800	132,590	11,210
Community & Economic Development	17,900	17,900	15,656	2,244
Public Works	275,000	275,000	199,215	75,785
Recreation and Culture	31,000	33,100	33,007	93
Other	237,000	226,400	-	226,400
Total Charges to Appropriations	696,200	696,200	380,468	315,732
Budgetary Fund Balance - March 31, 2008	\$ -	\$ -	\$ 349,044	\$ (282,420)

BENONA TOWNSHIP

Required Supplementary Information
 Budgetary Comparison Schedule for Fire Fund
 For the Year Ended March 31, 2008

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance - April 1, 2007	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Property Taxes	-	-	107,422	107,422
Amounts Available for Appropriation	-	-	107,422	107,422
Charges to Appropriations (Outflows)				
Public Safety	-	-	107,422	(107,422)
Total Charges to Appropriation	-	-	107,422	(107,422)
Budgetary Fund Balance - March 31, 2008	\$ -	\$ -	\$ -	\$ -

BENONA TOWNSHIP

Combining Balance Sheet Non-Major Governmental Funds March 31, 2008

	Boat Ramp Fund	Cemetery Care Fund	Library Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Investments	\$ 4,788	\$ 11,194	\$ -	\$ 15,982
Taxes Receivable	-	-	2,098	2,098
Total Assets	<u>\$ 4,788</u>	<u>\$ 11,194</u>	<u>\$ 2,098</u>	<u>\$ 18,080</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Due to Other Governments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,098</u>	<u>\$ 2,098</u>
Total Liabilities	-	-	2,098	2,098
Fund Equity				
Fund Balances - Unreserved	<u>4,788</u>	<u>11,194</u>	<u>-</u>	<u>15,982</u>
Total Liabilities and Fund Equity	<u>\$ 4,788</u>	<u>\$ 11,194</u>	<u>\$ 2,098</u>	<u>\$ 18,080</u>

BENONA TOWNSHIP

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds For the Year Ended March 31, 2008

	Special Revenue Funds			Total
	Boat Ramp Fund	Cemetery Care Fund	Library Fund	Non-Major Governmental Funds
Revenues				
Property Taxes	\$ -	\$ -	\$ 28,923	\$ 28,923
Licences and Permits	2,280	-	-	2,280
Charges for Services	-	250	-	250
Interest	-	125	-	125
Total Revenues	2,280	375	28,923	31,578
Expenditures				
Recreation and Culture	193	-	28,923	29,116
Total Expenditures	193	-	28,923	29,116
Excess Revenue Over (Under) Expenditures	2,087	375	-	2,462
Fund Balance - April 1, 2007	2,701	10,819	-	13,520
Fund Balance - March 31, 2008	<u>\$ 4,788</u>	<u>\$ 11,194</u>	<u>\$ -</u>	<u>\$ 15,982</u>

BENONA TOWNSHIP

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended March 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property Taxes	\$ 187,000	\$ 196,379	\$ 9,379
State Shared Revenue	103,000	104,576	1,576
Metro Act	4,000	4,072	72
Licenses and Permits	4,500	3,575	(925)
Charges for Services	3,000	2,738	(262)
Refunds and Reimbursements	5,500	11,257	5,757
Rentals and Royalties	100	100	-
Interest	5,500	14,351	8,851
Cemetery Lot Sales	<u>2,000</u>	<u>1,575</u>	<u>(425)</u>
Total Revenues	314,600	338,623	24,023
Expenditures			
General Government			
Township Board			
Salaries and Wages		3,000	
Fringe Benefits		230	
Supplies		91	
Professional Services		8,090	
Printing and Publishing		1,423	
Dues and Publications		1,891	
Transportation		32	
Education and Training		79	
Insurance		<u>7,580</u>	
	23,500	22,416	1,084
Supervisor			
Salaries and Wages		10,300	
Fringe Benefits		788	
Transportation		32	
Education and Training		<u>79</u>	
	\$ 11,500	\$ 11,199	\$ 301

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Elections

Salaries and Wages	\$	1,137	
Fringe Benefits		62	
Professional Services		418	
Supplies		<u>97</u>	

\$	1,800	1,714	\$	86
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Assessor

Supplies		1,158	
Professional Services		<u>30,848</u>	

34,000	32,006	1,994
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Clerk

Salaries and Wages		12,034	
Fringe Benefits		921	
Supplies		138	
Professional Services		328	
Transportation		81	
Printing and Publishing		32	
Education and Training		75	
Miscellaneous		<u>591</u>	

13,700	14,200	(500)
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Board of Review

Salaries and Wages		870	
Fringe Benefits		67	
Printing and Publishing		<u>135</u>	

1,200	1,072	128
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Treasurer

Salaries and Wages		14,337	
Fringe Benefits		1,097	
Supplies		4,052	
Professional Services		275	
Printing and Publishing		123	
Education and Training		<u>765</u>	

\$	22,100	\$	20,649	\$	1,451
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Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Township Hall and Grounds			
Salaries and Wages		\$	996
Fringe Benefits			76
Supplies			1,972
Repairs and Maintenance			478
Professional Services			917
Utilities			4,690
Capital Outlay			<u>1,381</u>
	\$	17,000	10,510
			\$ 6,490
Cemetery			
Salaries and Wages			3,938
Fringe Benefits			301
Supplies			800
Repairs and Maintenance			199
Professional Services			855
Utilities			222
Printing and Publishing			46
Capital Outlay			<u>12,463</u>
		<u>19,000</u>	<u>18,824</u>
			<u>176</u>
Total General Government		143,800	132,590
			11,210
Community & Economic Development			
Planning			
Salaries and Wages			2,015
Fringe Benefits			154
Supplies			48
Printing and Publishing			470
Education and Training			219
Transportation			<u>70</u>
	\$	3,200	\$ 2,976
			\$ 224

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Zoning			
Salaries and Wages		\$ 10,629	
Fringe Benefits		813	
Supplies		69	
Professional Services		668	
Printing and Publishing		361	
Education and Training		79	
Transportation		<u>61</u>	
	<u>\$ 14,700</u>	<u>12,680</u>	<u>\$ 2,020</u>
Total Community & Econ. Development	17,900	15,656	2,244
Public Works			
Highways, Streets and Bridges			
Professional Services		<u>199,215</u>	
Total Public Works	275,000	199,215	75,785
Recreation and Cultural			
Parks			
Salaries and Wages		5,836	
Fringe Benefits		446	
Supplies		437	
Professional Services		10,020	
Capital Outlay		<u>16,268</u>	
Total Recreation and Cultural	33,100	33,007	93
Contingencies	<u>226,400</u>	<u>-</u>	<u>226,400</u>
Total Expenditures	<u>696,200</u>	<u>380,468</u>	<u>315,732</u>
Excess Revenues Over			
(Under) Expenditures	(381,600)	(41,845)	339,755
Fund Balance - April 1, 2007		<u>390,889</u>	
Fund Balance - March 31, 2008		<u>\$ 349,044</u>	

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

July 9, 2008

To the Board of Directors
Benona Township

We have audited the financial statements of Benona Township for the year ended March 31, 2008, and have issued our report thereon dated July 9, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 11, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Benona Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Benona Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 23, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Benona Township are described in Note A to the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation on fixed assets is based on the straight-line method of depreciation over the useful lives of the related assets.

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We evaluated the key factors and assumptions used to develop the value of these items in determining that it is reasonable in relation to the financial statements taken as a whole

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of related party transactions in Note J to the financial statements indicating the relationship of Benona Township with the person providing snowplowing services to the Township.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 9, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. We are including the following comments and recommendations regarding internal controls:

PRIOR YEAR COMMENTS:

During our audit of the 2006 financial statements, we made the following recommendations that were not implemented as of March 31, 2008:

- Books & Records – The books and records of the Township were well maintained by the Clerk and treasurer. However, we would once again recommend that the Clerk fully implement the use of the current software program for all record keeping for the Township. Currently, only expenditures are being tracked through this program. This information is then posted to the Township's hand registers. The Township could have all revenue and expenditures tracked through the program and reports could be automatically generated from the program. In addition, the budget could be entered to provide the board with a budget to actual report, thus reducing the additional time needed for the clerk to prepare this report by hand. We would be happy to assist in the implementation and use of this software program.

If the Township continues to use the manual system, we have one additional recommendation. The cash disbursements journal was totaled monthly as well as totaled for the year. However, within the different functions the types of expenditures were not totaled. For instance, total clerk expenditures were listed but the total was not broken down into clerk salaries, clerk supplies, clerk education & training and etc.

Before we were able to begin our audit, we spent a considerable amount of time adding up these amounts so that the detail presented within the financial statements would be possible. We suggest that the disbursements journal include annual totals for not just the function level (clerk, treasurer, etc.), but also totals for the activity level (salaries, supplies, education & training, etc.).

- Budgeting – We commend the Board for preparing the General Fund budget within all State requirements. However, we noted that budgets are not being prepared for the Fire and Library Funds. The Fire and Library millages are currently being collected and paid by the Treasurer directly to the Fire Department and Shelby Public Library. These millages are Township millages, as evidenced by the Form L-4029 filed with the County and by the remittance of delinquent Fire and Library taxes to the Township, by the County. However, the Township has an agreement with the Fire Department and the Shelby Public Library for remitting these taxes in exchange for providing fire protection and library services for the Township. Even though the taxes are not being remitted into a Township cash account and a check written to the Fire Department or Library for these services, does not mean that these taxes are not Township property. For example, if the Township chooses to hire another fire department or library to provide these same services, the tax collection would not be effected, the organization receiving the tax funds would be the only change. Therefore, we recommend that the Township properly approve an annual budget for the Fire and Library Funds.
- Investment Policy – We also noted that the Township does not have an investment policy. An investment policy details the types of investments that the Township may hold. We recommend that the Board adopt a policy. We have attached a sample policy for the Board's consideration.

CURRENT YEAR COMMENTS:

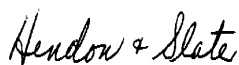
Along with the comments from prior years, we also offer the following:

- Employee Reimbursement – One of the easiest ways for the Township to protect itself from paying for improper expenditures is to require documentation that contains adequate information. During the audit, we noted that a reimbursement was made for the purchase of checks. The receipt provided to us did not contain evidence that the purchase was for the Township. In the future, we recommend that the Township's name appear on the invoice as evidence of a proper expenditure.
- Segregation of Duties – While the Township is following the common practice amongst small governments of having the treasurer bear all of the responsibility for accounting for tax receipts and disbursements, the Uniform Accounting Procedures Manual does state that the clerk is to have a role in this process. Per the Manual, the Township should have a separate set of accounts similar to any other fund (such as the General Fund) and should use the same practices for accounting for transactions. That is to say that the Treasurer should receipt tax revenues and provide the receipt to the clerk to be recorded in the Trust and Agency Fund accounting records. The clerk should also record all of the checks out of the Trust and Agency Fund and reconcile the accounts of this fund with the treasurer's records. We understand that the Township may see this as an unnecessary series of steps that have never been performed and are often not performed by other Townships, but we view this as an opportunity to both comply with the Uniform Accounting Procedures Manual as well as strengthening the internal controls over cash and the entire tax collection and disbursement process. We have included a copy of the Uniform Accounting Procedures Manual and would be happy to assist the township in implementing these changes.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Benona Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Hendon & Slate, P.C.
Certified Public Accountants
Fremont Office

BENONA TOWNSHIP

Passed Adjustments

March 31, 2007 & 2008

3/31/2007

		<u>DR</u>	<u>CR</u>
1	<i>(Record accounts payable)</i>		
	Roads - Repairs	256.07	
	Planning - Printing	83.25	
	TB - Planning	171.08	
	B&G - Supplies	13.31	
	Cemetery - Supplies	76.28	
	Accounts Payable		599.99

3/31/2008

1	<i>(Reverse beginning AP)</i>		
	Accounts payable	599.99	
	Roads - Repairs		256.07
	Planning - Printing		83.25
	TB - Planning		171.08
	B&G - Supplies		13.31
	Cemetery - Supplies		76.28
2	<i>(Record ending AP)</i>		
	Cemetery - Prof Services	10.00	
	B&G - Repairs	164.05	
	Accounts Payable		174.05

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Board Members,
Benona Township
Oceana County, Michigan

In planning and performing our audit of the financial statements of Benona Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Benona Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Benona Township's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Anti-Fraud Program

The Township has not adopted an Anti-Fraud Program as required by SAS 99 (see sample on Standards of Ethics and Conduct attached.)

Controls over the Selection and Application of Accounting Principles that are in Conformity with Generally Accepted Accounting Principles

The Board currently does not have personnel available with sufficient expertise to select and apply the accounting principles necessary to prepare the financial statements and note disclosures contained in the audit report.

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Address Preparation of Financial Statements

As is common in Townships, the Township's accounting department currently does not perform the following functions:

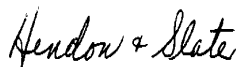
- Prepare its financial statements, complete with notes, in accordance with accounting principles generally accepted in the United States of America. Accordingly, the Library is unable to, and has not, established internal controls over the preparation of financial statements.
- Prepare schedules of property and equipment and record depreciation on a monthly basis. Currently, in the course of performing the audit, depreciation schedules are updated for activity during the year, and depreciation is calculated and recorded.

As part of the audit, management has requested us to prepare a draft of the Township's financial statements, including the related notes to the financial statements. Management then performed a review of the financial statements. However, in order to provide improved oversight of the financial statement preparation services at an appropriate level and implement controls over the financial reporting process, management might establish review policies and procedures including the performance of some or all of the following functions:

- Review the adequacy of financial statement disclosures, possibly including reviewing and approving a completed disclosure checklist we would provide to you or by completing a disclosure checklist.
- Review and approve schedules and calculations supporting amounts included in the notes to the financial statements.
- Apply analytical procedures to the draft financial statements.
- Perform other procedures as considered necessary by management.

This communication is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Hendon & Slate, P.C.
Certified Public Accountants
Fremont, MI
July 9, 2008